

Vermont Housing Finance Agency

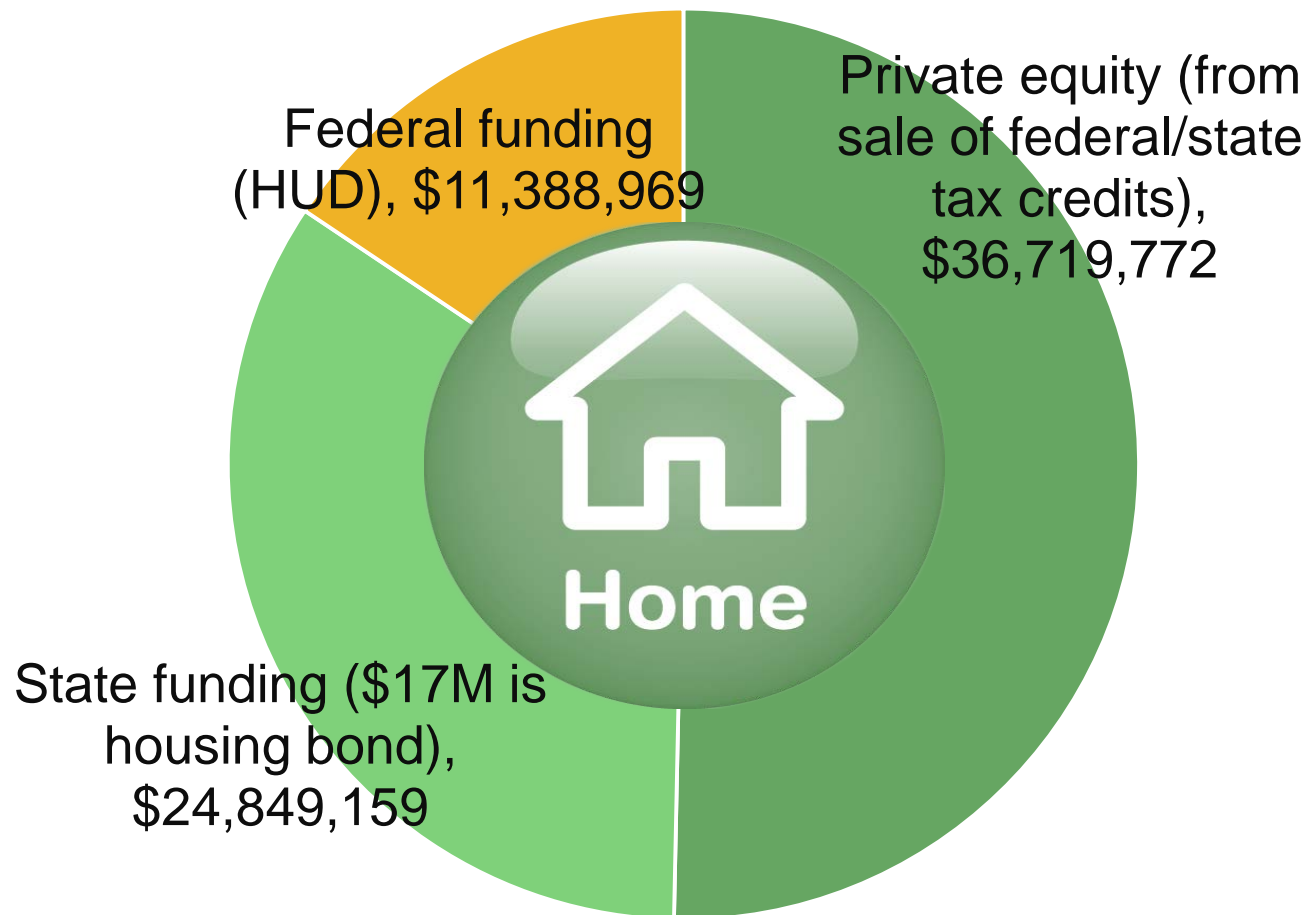
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Affordable homes for a sustainable Vermont.

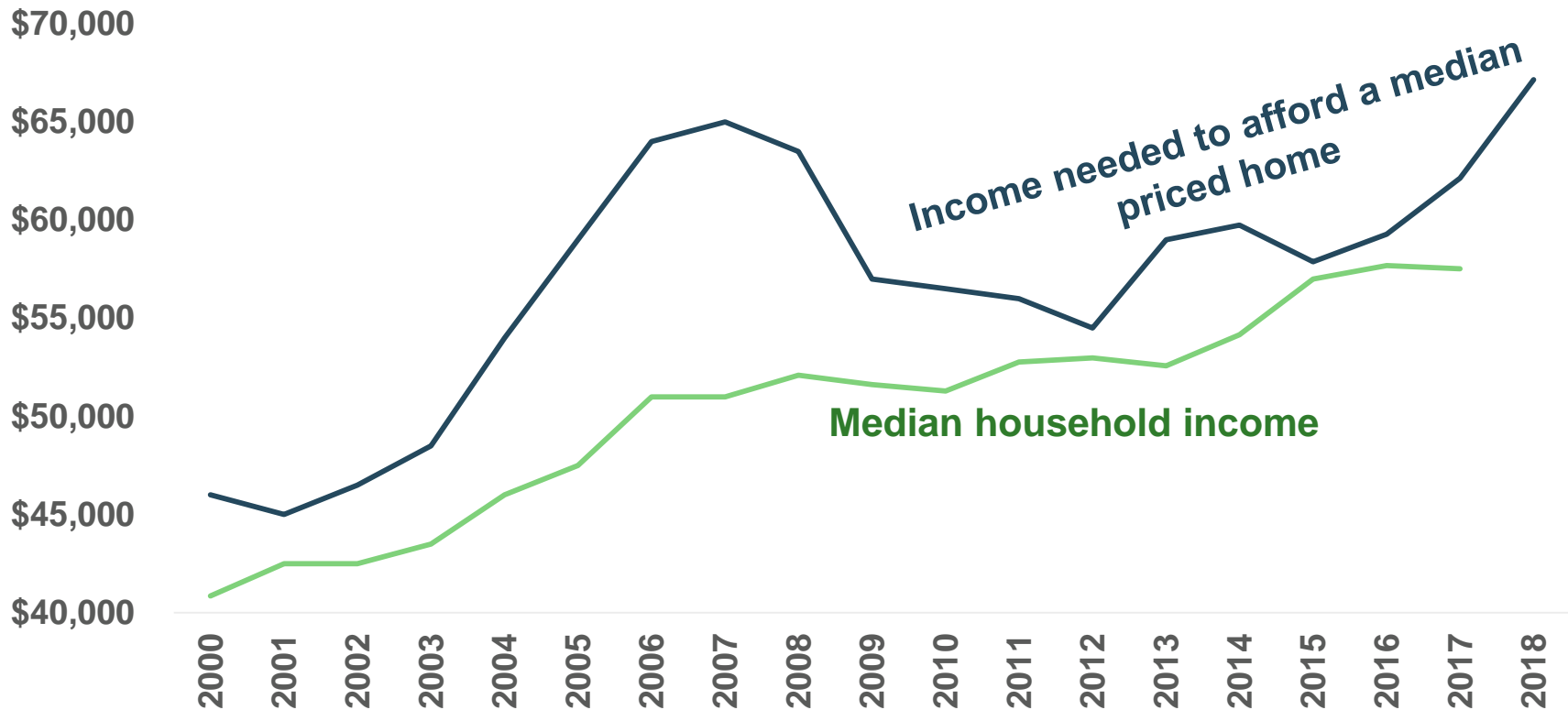
Funding to create affordable housing



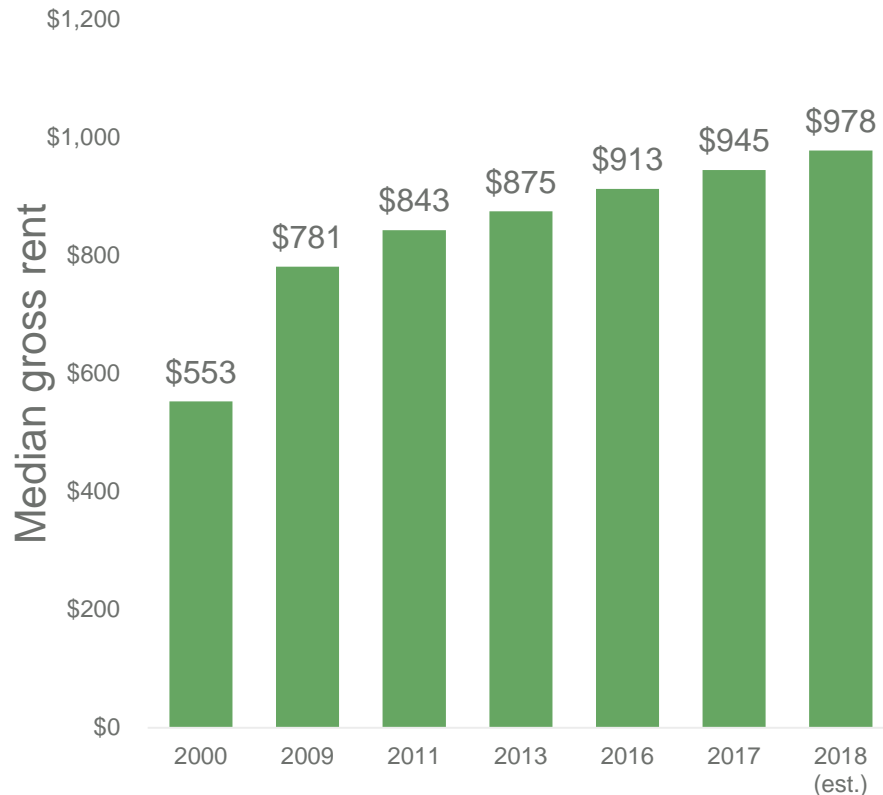
Source: <https://accd.vermont.gov/sites/accdnew/files/documents/2018-HousingBudget-InvestmentReportA.pdf>

Fewer policy levers to make owning a home more affordable

Affordability of buying a Vermont home



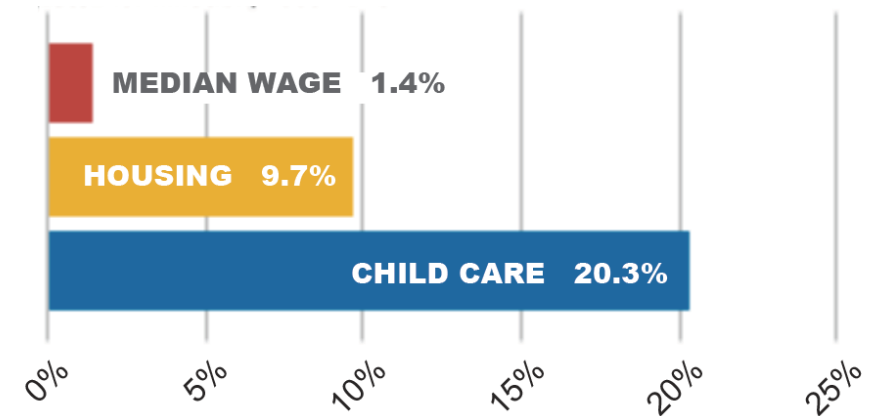
Housing costs continue to increase



Data source: U.S. Census Bureau

Wage growth lagged behind costs

Growth in median wage, housing and child care costs, * adjusted for inflation, 2006-2016



*The housing cost is for rural housing for a single person; the child care cost is a weighted average of the cost of care in all counties except Chittenden.

Data sources: Joint Fiscal Office; Economic Policy Institute analysis of Current Population Survey data
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Source: <https://publicassets.org/wp-content/uploads/2019/01/SWVT2018final.pdf>

Where have all the millennials gone?

Homeownership among Baby Boomers, Gen Xers, and Millennials in 2015

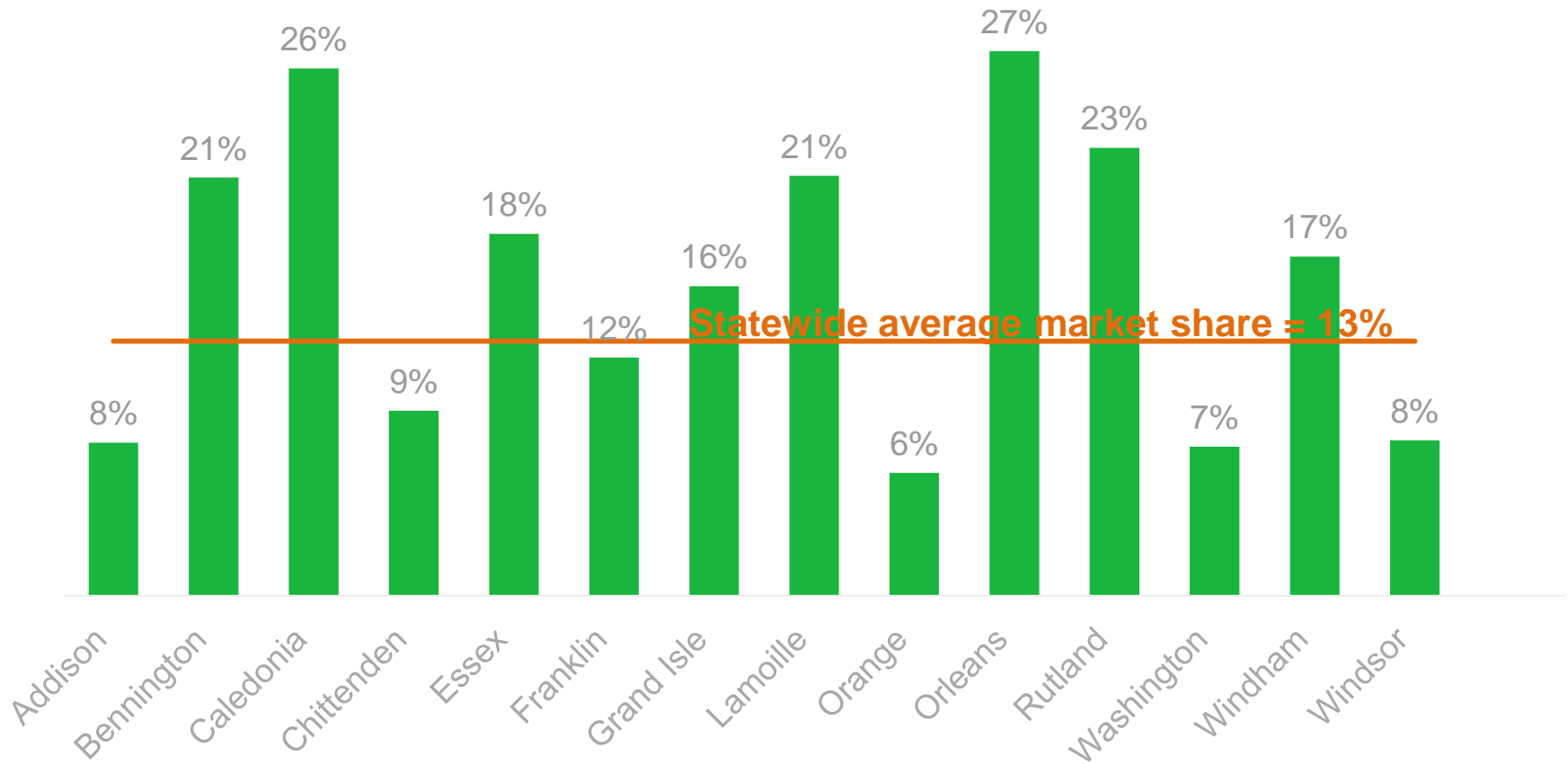
Generation	Years born	Age	Population	Current homeownership (%)	Homeownership at age 25-34 (%)
Millennials	1981-97	18-34	75,170,263	32.2%	37.0%
Gen Xers	1965-80	35-50	66,441,487	60.4%	45.4%
Baby boomers	1946-64	51-69	74,649,971	75.0%	45.0%

Sources: 1990 and 2000 Decennial Censuses and the 2015 American Community Survey.



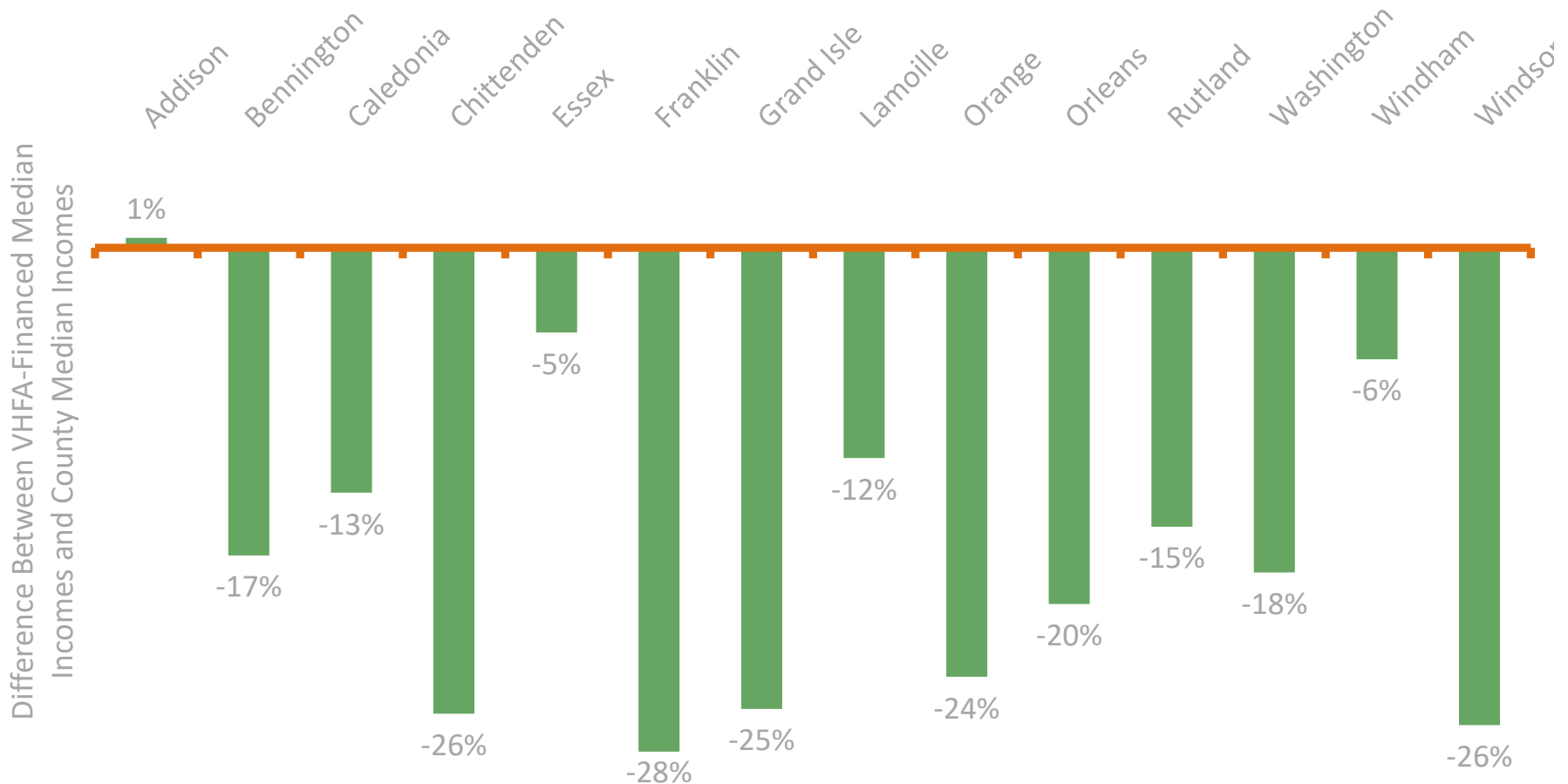
Source: <https://www.urban.org/urban-wire/state-millennial-homeownership>

VHFA has highest market share in economically disadvantaged counties

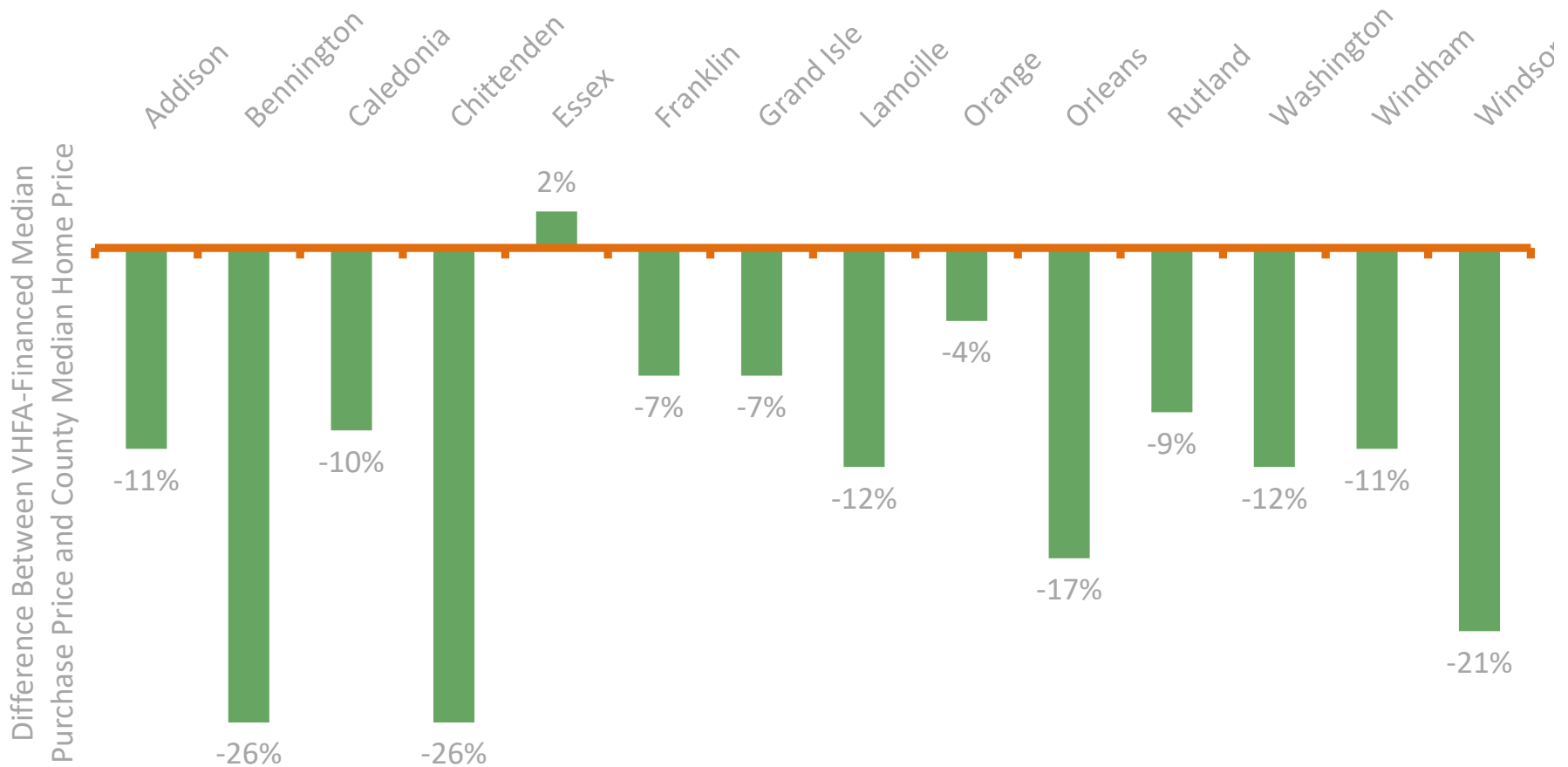


Compares # of VHFA loans to all 1st mortgages for homes <\$300,000 and borrowers earning <\$110,000 (CY18)

Incomes of VHFA borrowers is far below area median incomes

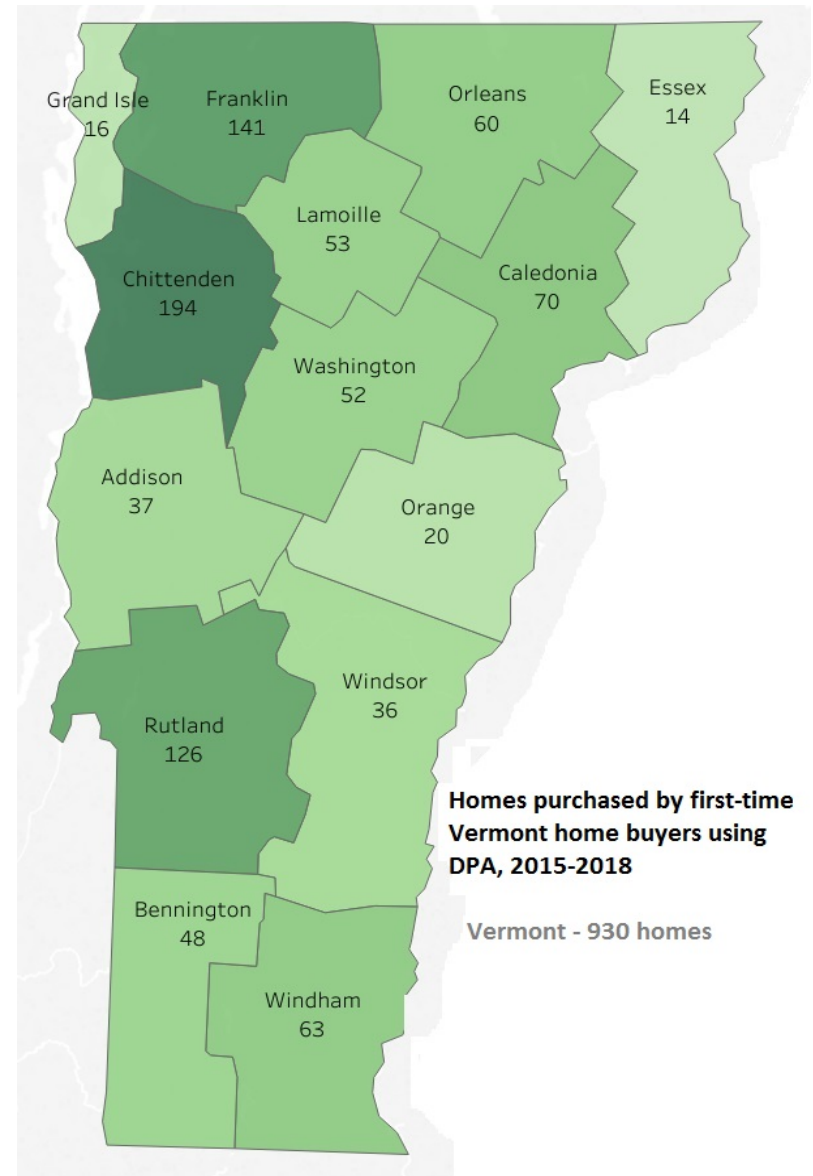


...and homes purchased by VHFA borrowers are priced well below the area median



VHFA's First Time Homebuyer Program

- 930 renters and in-migrants now own in Vermont!
- Median income: \$60,000
- Median home price: \$165,000
- Borrowers received just \$4,700 in assistance
- Average buyer is 31 years old and has 2 people in their home



Statewide benefits

- Each buyer generates **\$40,500** for the state via property taxes, spending on home improvements, renovations, furniture, and equipment.
- **789 employers** have benefited. Top employers are healthcare, government, and schools.
- New homeowners in every county, **190 towns** and counting...



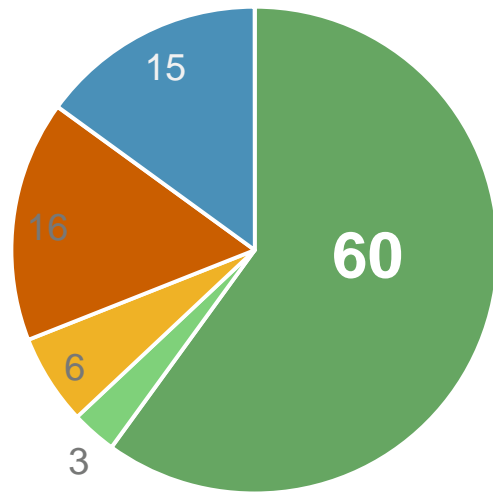
Andrew, Julia and baby Leo Parise at their South Burlington home, purchased with a VHFA mortgage.
Photo by Danielle Landryew

First time home buyer assistance by town

County	Town	Number of households assisted
Bennington	Bennington	30
Chittenden	Burlington	27
	Essex	17
Franklin	Saint Albans	37
Lamoille	Belvidere	2
	Hyde Park	6
	Johnson	4
	Wolcott	4
Orleans	Newport	17
	Newport Center	1
Rutland	Brandon	6
	Pittsford	1
	Sudbury	3
Windham	Brattleboro	19
Windsor	Plymouth	2
	West Windsor	1
	Windsor	6

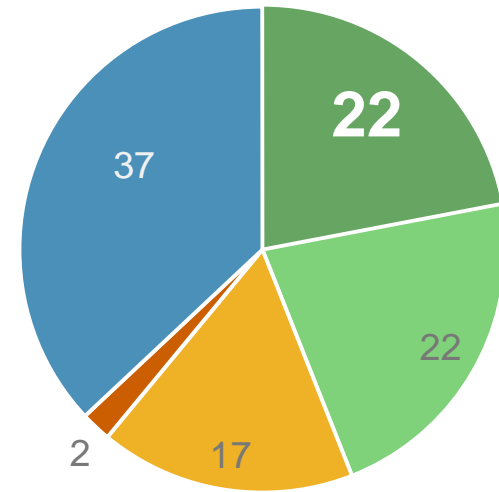
We can't afford for millennials to wait to buy

Family net worth
Bottom quintile



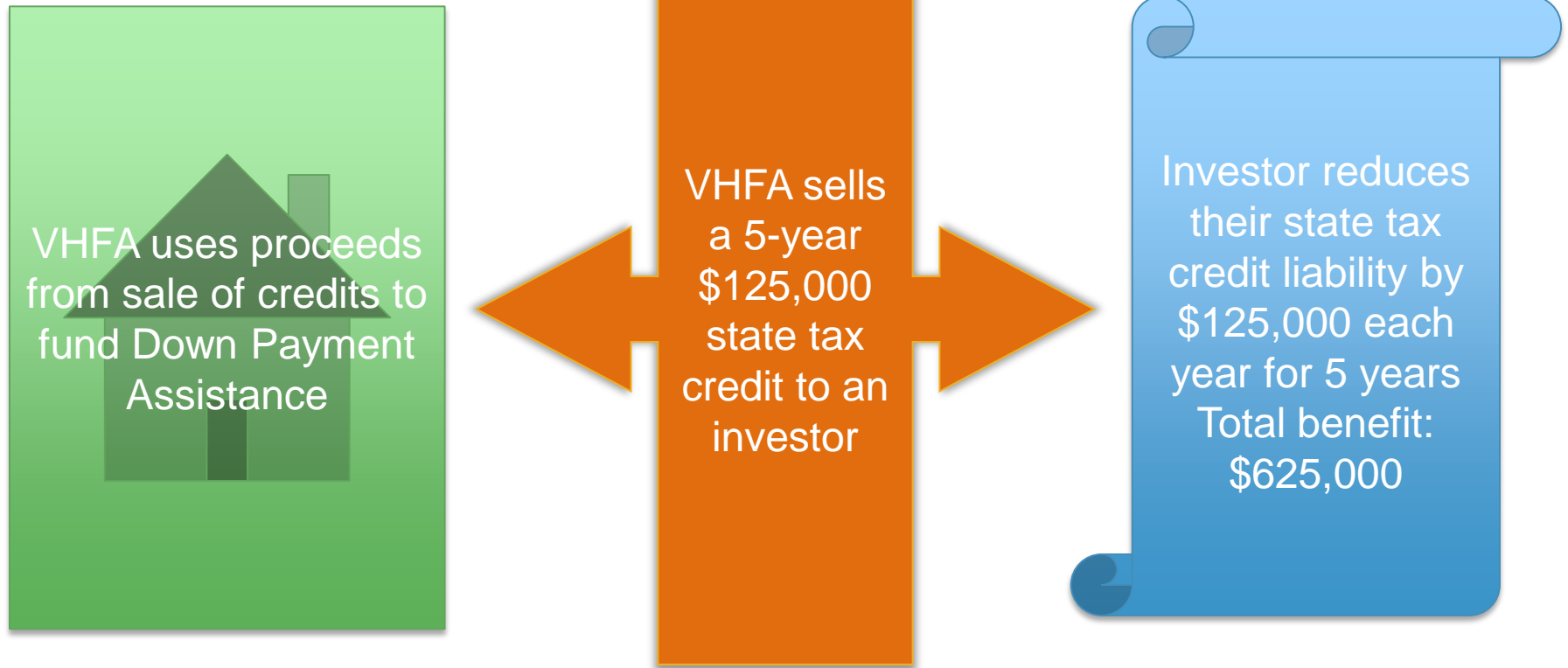
- Home equity
- Financial assets
- Retirement accounts
- Vehicles
- Other assets

Family net worth
Top quintile



Source: <https://www.urban.org/sites/default/files/publication/28571/412078-family-net-worth-before-the-recession.pdf>

Vermont began helping first time home buyers with down payment assistance in 2015



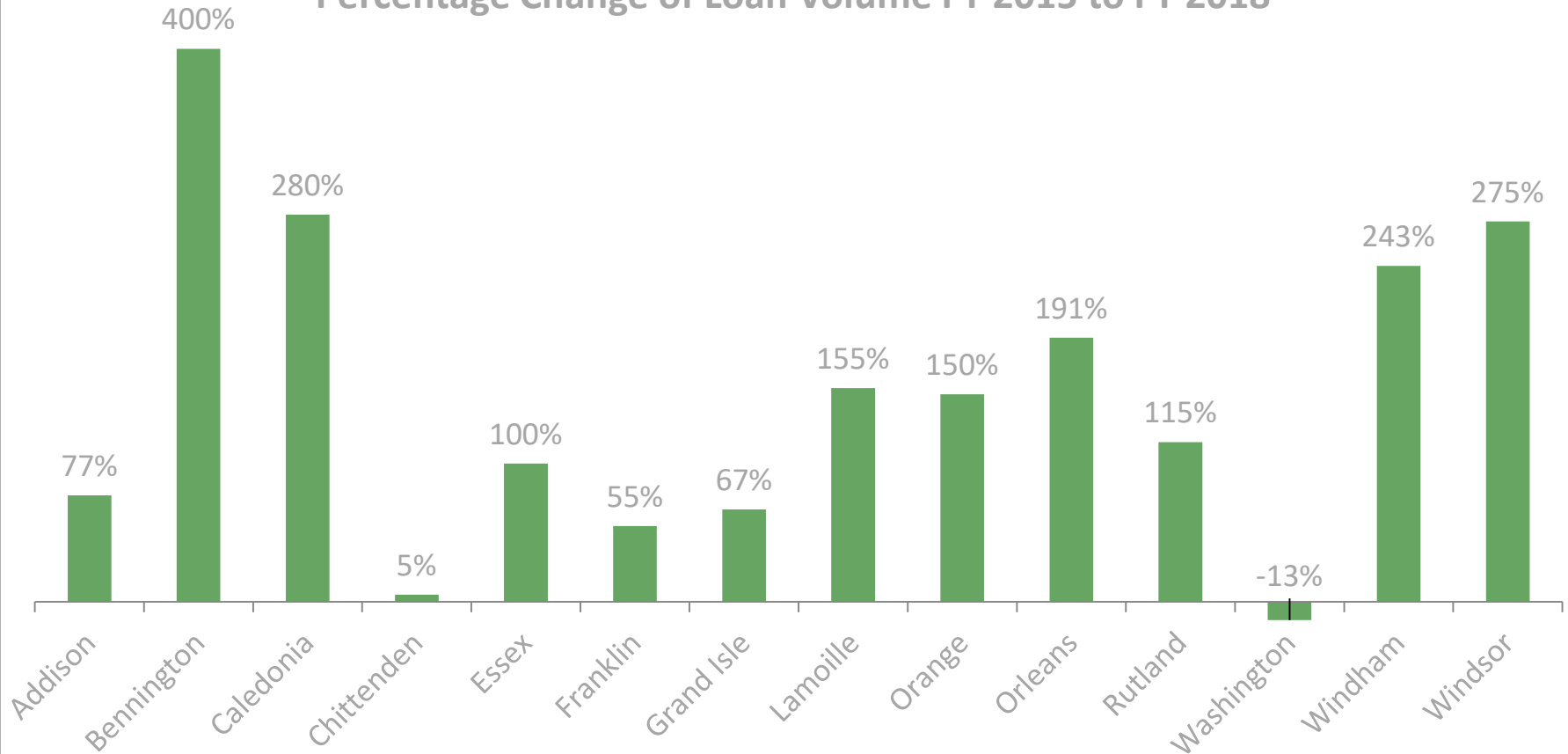
Award winning program

- Took existing state tax credit program, which creates:
 - Rental housing (launched 2000)
 - Homeownership opportunities (added 2009)
 - Manufactured home replacements (added 2013)
- And added a new feature:
 - Much-needed down payment assistance (added 2016)



VHFA able to better serve rural areas since launch of first time home buyer program

Percentage Change of Loan Volume FY 2015 to FY 2018



Program history

July 2015: VHFA creates program rules, eligibility, etc

August 2015: VHFA sells state tax credits to Union Bank

2015 Legislative Session
Economic Development
Bill passes

Summer 2015: VHFA creates system for program (IT, forms, procedures)

Summer 2015: VHFA trains lenders – promotes with mortgage originators

Fall 2015: VHFA markets the program to first time buyers

September 2015: Loans begin

Approx. April 2016: State funding runs out... right before home buying season

What can be done?



Maintain first time home buyer program

- Double amount of state tax credit for down payment assistance from \$125,000 to \$250,000/year
- Extend the program until FY2026 so that it can be self-sustaining as designed
 - Program began in FY2016 and will sunset in FY2022
 - Original assumption:
 - Enough loans will be paid back within 7 years to keep the program open
 - Loan pay backs create revolving loan proceeds
 - Current reality:
 - Raising interest rates are slowing refinancings
 - Pace of resales is low because when home values don't rise beyond loan amount, owners stay put to avoid having to pay cash to sell.
 - We've been funding 270 loans/year, but only half are state tax credit funded so repayments can't keep up with current demand

Increase new home assistance by \$125,000

- Program funds the construction, rehabilitation, or purchase of replacement mobile home
- 300 households served
- Home prices typically reduced by \$33,000



- Average borrower income: \$40,000
- 54 mobile homes have been replaced with an Energy Star Rated home.
- 12 organizations have administered these funds in 85 towns in every county

Vermont Housing Tax Credit Annual Allocations

